

## § 220.001

## 30 CFR Ch. II (7-1-98 Edition)

- 220.020 Calculation of the allowance for capital recovery.
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### § 220.001 Purpose and scope.

(a) This part 220 establishes accounting procedures for determining the net profit share base and calculating net profit share payments due the United States for the production of oil and gas from OCS leases.

(b) The procedures established by this part 220 apply to any OCS lease issued by the Department of the Interior under any bidding system established by § 260.110(a) of this chapter which has a net profit share component.

[45 FR 36800, May 30, 1980, as amended at 46 FR 29689, June 2, 1981. Redesignated at 48 FR 1182, Jan. 11, 1983, and at 48 FR 35642, Aug. 5, 1983]

### § 220.002 Definitions.

For purposes of this part 220:

*Allowance for capital recovery* means the amount calculated according to procedures specified in § 220.020. This amount allows a premium for risk initially undertaken by the lessee and a return on investment made during the capital recovery period. It is provided in lieu of interest on equipment and materiel charged to the NPSL capital account.

*Capital recovery period* means the period of time that begins on the date of issuance of the NPSL and ends on the last day of the month during which the sooner of the following occurs:

(1) The lessee completes the last well on the first platform specified in the development and production plan originally approved by the MMS, with any approved amendments thereto, and installation of wellhead equipment. In

the event the last well is dry, then the capital recovery period shall be deemed to have ended with the determination that the last well is non-productive;

(2) The balance in the NPSL capital account changes from a debit balance to a credit balance; or

(3) The lessee, at his election, chooses to terminate the capital recovery period. A decision to terminate the capital recovery period prior to the events specified in paragraphs (a) (1) and (2) of this definition shall be communicated in writing to the Director and shall be irrevocable.

*Controllable materiel* means materiel which at the time is so classified in the Materiel Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

*Cost* means an expenditure or an accrual incurred by a lessee in conducting NPSL operations.

*Cost pool* means a grouping of costs identified with more than one OCS lease, whether the leases are NPSLs or other types of leases.

*Credit* means a payment, rebate, reimbursement to a lessee, or other reduction in cost or increase in revenue attributable to NPSL operations.

*Direct cost* means any cost listed in § 220.011 that benefits only NPSL operations.

*Director* means the Director of MMS, Washington, DC, or his delegate.

*Field employee* means an employee below a first level supervisor who is directly employed in the NPSL project area.

*First level supervisor* means an employee whose primary function in NPSL operations is the direct supervision of other employees and/or contract labor directly employed on the NPSL project area in a field operating capacity.

*G & G* means geological, geophysical, geochemical and other similar investigations carried out on the NPSL tract.

*Joint cost* means any cost listed in § 220.011 that benefits NPSL operations and one or more other operations of the lessee or an outside party.

*Lessee* means a person authorized by an OCS lease, or an approved assignment thereof, to develop and produce

oil and gas, including all parties holding such authority by or through the lessee, and the person designated to conduct NPSL operations.

*Lessee's cost of allowed employee absence* means the lessee's cost of holiday, vacation, sickness, disability benefits, jury duty and other customary excused allowances.

*Materiel* means equipment, apparatus, and supplies.

*Net profit share base* means the end of the month credit balance in the NPSL capital account determined pursuant to § 220.021. The net profit share base is the production revenue remaining after subtracting all allowable costs and adding all allowable credits (including production revenue) in accordance with the procedures established by this part 220.

*Net profit share payment* means the portion of the net profit share base payable to the United States.

*Net profit share rate* means the percentage share of the net profit share base payable to the United States. The percentage share may be fixed in the notice of OCS lease sale or be the bid variable, depending upon the bidding system used, as established by § 260.110(a) of this chapter.

*NPSL* means a net profit share lease, which is an OCS lease that provides for payment to the United States of a percentage share of the net profits for production of oil and gas from the tract. This percentage share may be fixed in the notice of OCS lease sale or be the bid variable, depending on the bidding system used, as established by § 260.110(a) of this chapter.

*NPSL operations* means all activities subsequent to issuance of the NPSL necessary and proper for the exploration, development, operation, maintenance, and final abandonment of the NPSL property.

*NPSL project area* means the NPSL tract, offshore facilities, and shore base facilities.

*NPSL property* means the NPSL tract, and materiel and offshore facilities acquired for use in NPSL operations and that are installed and/or used on the NPSL tract.

*NPSL tract* means a tract subject to an NPSL.

*OCS lease* means a Federal lease for oil and gas issued under the OCSLA.

*OCS lease sale* means the DOI proceeding by which leases for certain OCS tracts are offered for sale by competitive bidding and during which bids are received, announced, and recorded.

*Offshore facilities* means platform and support systems located offshore that are necessary to conduct NPSL operations, e.g., oil and gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping, heliport, marine docking installations, communication facilities, and navigation aids.

*Outside party* means any person who is not a lessee.

*Person* means person as defined in part 260 of this chapter.

*Personal expenses* means travel and other reasonable reimbursable expenses of lessee's employees.

*Production* means all oil, gas, or other hydrocarbon products produced, removed, saved, or sold from the NPSL property. Gas and liquids of all kinds are included in production. Production includes the allocated share of production from a unit of which the NPSL is a part.

*Production revenue* means the value of all production attributable to an NPSL property, which value is determined in accordance with § 260.110(b) of this chapter.

*Railway receiving point* or *recognized barge terminal* means the location that a vendor would use in determining the sale price to the lessee of new materiel to be delivered to the NPSL project area.

*Reliable supply store* means a recognized source or common stock point for the particular materiel involved.

*Shore base facilities* means onshore facilities necessary for NPSL operations, including:

(1) Shore base support facilities, e.g., a receiving and trans-shipment point for materiel, staging area for shuttling personnel to and from the NPSL tract, a communication, scheduling, and dispatching center; and

(2) Shore base production facilities, e.g., pumps, separating facilities, gas plants, and tankage for production from the NPSL tract.

*Technical employees* means those employees having special and specific engineering, geological or other professional skills, and whose primary function in NPSL operations is the handling and resolution of specific operating conditions and problems for the benefit of NPSL operations.

*Tract* means land located on the OCS that is offered for lease through an OCS lease sale and that is identified by a leasing map or an official protraction diagram prepared by DOI.

[45 FR 36800, May 30, 1980, as amended at 46 FR 29689, June 2, 1981. Redesignated and amended at 48 FR 1182, Jan. 11, 1983. Redesignated at 48 FR 35642, Aug. 5, 1983]

**§ 220.003 Information collection.**

(a) The information collection requirements of this part have been approved by OMB under 44 U.S.C. 3501 et seq. and assigned OMB Clearance Number 1010-0073. The information will be used to determine all allowable direct and allocable joint costs incurred during the term of the lease, appropriate overhead allowances permitted on these costs pursuant to § 220.012, and allowances for capital recovery calculated pursuant to § 220.020. The information collection is mandatory in accordance with the Federal Oil and Gas Royalty Management Act of 1982, 30 U.S.C. 1701 et seq.

(b) Public reporting burden is estimated to average 16 hours for each annual and monthly lease report, including time spent reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing burden, to the Information Collection Clearance Officer, Minerals Management Service, 281 Elden Street, Herndon, Virginia 22070; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project 1010-0073, Washington, DC 20503.

[57 FR 41868, Sept. 14, 1992, as amended at 58 FR 64903, Dec. 10, 1993]

**§ 220.010 NPSL capital account.**

(a) For each NPSL tract, an NPSL capital account shall be established and maintained by the lessee for NPSL operations. The NPSL capital account shall include debit entries for all allowable direct and allocable joint costs incurred during the term of the lease, appropriate overhead allowances permitted on these costs pursuant to § 220.012, and allowances for capital recovery calculated pursuant to § 220.020. The NPSL capital account shall be credited with production revenues attributable to the NPSL and any other credits arising from NPSL activities.

(b) The NPSL capital account shall be kept on an accrual basis.

**§ 220.011 Schedule of allowable direct and allocable joint costs and credits.**

The costs and credits specified in paragraphs (a) through (p) of this section may be charged direct, or allocated to NPSL operations, as appropriate, in accordance with § 220.014.

(a) *Lease rental.* The rent paid by the lessee for the NPSL tract is allowable.

(b) *Labor.* (1)(i) Salaries and wages of lessee's field employees, first level supervisors and technical employees employed in the NPSL project area in NPSL operations are allowable if such costs are not charged under paragraph (g) of this section.

(ii) Salaries and wages of technical employees within technical branches of the lessee's organization who are either temporarily or permanently assigned to, and directly employed in NPSL operations are allowable provided that such employees work "full time" on some particular aspect of NPSL operations or some specific technical problem. Excluded from this category are employees assigned a role in NPSL operations as a duty collateral with other duties that do not directly benefit NPSL operations.

(iii) Salaries and wages of technical employees within technical branches of the lessee's organization who are assigned technical tasks directly related to NPSL operations may be allowable. Costs may be charged to the NPSL if supported by adequate time records showing the nature of the task and the hours spent on that task.